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Date: August 25, 2005

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PATENT

Paper No.

File: NewMrkt-P99-4

IN THE UNITED STATES PATENT AND TRADEMARK OFFICE

Inventors	:	Anthony F. Herbst and Wayne F. Perg
Serial No.	:	09/467,646
Filed	:	December 20, 1999
For	:	DIGITAL COMPUTER SYSTEM FOR OPERATING A CUSTOMIZABLE INVESTMENT FUND
Group Art Unit	:	3628
Examiner	:	Bui, Thach H.

Honorable Commissioner of Patents
P.O. Box 1450
Alexandria, VA 22313-1450

TRANSMITTAL LETTER

SIR :

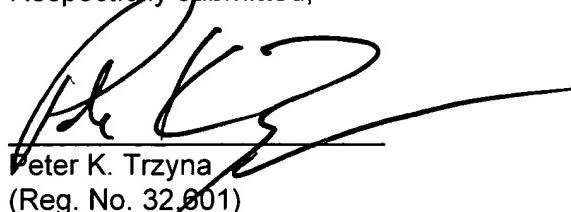
Please enter the following enclosed documents in the above-identified patent application.

1. Reply Brief on Behalf of Appellant, 9 Pages .

Applicant claims small entity status. The Commissioner is hereby authorized to charge any fees associated with the above-identified patent application or credit any overcharges to Deposit Account No. 50-0235.

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Respectfully submitted,


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REPLY BRIEF ON APPEAL ON BEHALF OF APPELLANT

I. Overview

As an overview to the Examiner's Answer, the instant invention is directed to how to manage a customizable investment fund, not how to invest an investor's "investment funds" (i.e., \$) in a portfolio.

Rebaine is investing \$ in a portfolio system (See title and Abstract; Rebane Fig. 7 shows the "investor's funds" in \$). Rebaine has nothing to do with operating a customizable investment fund as claimed.

II. Remarks

The Examiner's Answer, "Response to Argument" (section 11) is traversed because the Examiner miscomprehends the subject matter of Rebane (U.S. Patent No. 6,078,904) as shown by the following error. The Examiner bases his rejection on a "direct quote" (the Examiner's words) from the abstract of Rebane. However, the Examiner's "direct quote" is not in the Abstract, and the "direct quote" misrepresents the stated subject matter of Rebane. The Abstract of Rebaine instead mentions a "method for... allocating investment funds of an investor in a portfolio..." Rebaine has nothing to do with operating a customizable investment fund as claimed.

Management of an investment fund does not mean management of an investor's funds in a portfolio as per Rebane. Apparently, the rejection is premised on a "double entendre" of the term "investment funds," which taken out of context could refer to an investment fund or \$. However, Rebane has context beyond the misquote by the Examiner. In addition to a correctly understood Abstract, the subject matter of Rebane can be gleaned from its title: "**RISK DIRECT ASSET ALLOCATION AND RISK RESOLVED CAPM FOR OPTIMALLY ALLOCATING INVESTMENT ASSETS IN AN INVESTMENT PORTFOLIO.**"

A portfolio is not an investment fund, e.g., anyone who owns 2 shares of stock in their portfolio need not consider registering with the SEC as an investment fund. The fact that Rebane is not directed to the claimed subject matter of an investment fund is clear from the other cited art of Morris et al.

As Morris et al. note (p. 99), teaches that a fund is created by an investment company that sells shares to investors and then invests the money received from the sale of shares in a set of investments. Each fund has a professional manager, an investment objective, and a plan, or investment program. Morris et al. sets out what would be known to one of ordinary skill in the art at the time, i.e., that a investor's funds in a portfolio is not an investment fund as specified by the claims. Therefore, Rebane's portfolio system is the wrong financial product vis-à-

vis the claimed investment fund; indeed, a personal portfolio system might even be deemed non-analogous art to investment fund art in the sense that it is a different area of finance.

Morris et al. continues (p. 108), stating:

"NAV is the fund's net asset value. A fund's NAV is the dollar value of one share in the fund, and the price a fund pays you per share when you sell. It's figured by totaling the value of all the fund's holdings and dividing by the number of shares."

In other words, Morris et al. teaches that a share in a fund is an undivided interest in the total investment holdings of the fund and, therefore, each share is identical to every other fund. Therefore, Morris et al. teaches contrary to the subject matter of the present invention – a customizable investment fund in which shares held by different investors are not necessarily identical but are rather interests in sets of investments that are customized to the different needs of different investors. Morris et. al is not evidence of obviousness... it is evidence of unobviousness.

In sum, Morris et al. not only teaches that Rebane is directed to the wrong financial product, but Morris et al. is evidence that the claimed invention is not obvious in that there is no contemplation of customization of an investment fund shown in the cited art.

In section 11 of the Answer, "Response to Argument," the Examiner begins by noting that Appellant argues that Rebane fails to teach or suggest features of claims 1, 9-15, 20, 25-36 and 40-44 and states that the Examiner erroneously equates "an investment fund" with "an investment" or a "set of investments." Then, as the only basis for supporting his assertion that the subject matter of Rebane is an investment fund rather than the management of a portfolio, the Examiner makes a false statement regarding the content of the Abstract of Rebane and, thereby, the subject matter of Rebane. Specifically, the Examiner asserts in the second paragraph of section 11 that the quote (the quotation marks are the Examiner's) "Rebane discloses a computer-aided method for operating a customizable investment fund" is a direct quote that is to be found in the Abstract of Rebane.

The Board is invited to read the Abstract to confirm that the Examiner's direct quote is not to be found there. The above not only is not a direct quote from the Abstract of Rebane, it is

also a statement of the subject matter of Rebane. Again, the subject matter of Rebane is the management of a *portfolio*, not the management of an *investment fund*, let alone a customizable investment fund. The Abstract of Rebane states:

"A computer system and method for optimally allowing investment funds of an investor in a portfolio having a plurality of investments, comprising: determining a risk tolerance function for the investor specifying the investor's probability preference at each of a plurality of monetary amounts relative to a monetary range relevant to the investor, and allocating the investment funds among the investments to create an investment allocation by maximizing an expected value of a first probability density function of the investor's probability preferences determined as a function of a second probability density function of the portfolio's predicted market performance with respect to the investment funds and the investor's risk tolerance function."

As the Abstract of Rebane makes clear, the subject matter of Rebane is the management of an investment *portfolio*, not the management of an investment fund, let alone a customizable investment fund, the subject matter of the present investment.

Note too, that Fig. 7 in Rebane refers to "borrowed" funds, graphed in \$. It makes no sense to borrow, say, the Fidelity and Magellan funds (which at best would be in shares) anymore than one could borrow another company; but this incongruous notion would be required to play out the Examiner's miscomprehension. But of course, "\$" means \$, not shares in an investment fund. Further, Rebane explains Figure 7 (column 14, lines 49-55):

"A first Y-axis 703 is scaled as percentages of the investor's total investment funds (equal to the investor's own funds 729 and the borrowed funds 731). A second Y-axis 705 is scaled in currency amounts. Thus for each investment 711 or investment funds 727, 729, 731, the amount to be invested according to the RDAA module 301 is directly shown." Continuing, the disclosure regarding Figure 7 states (column 15, lines 24-28) that: "The lower rounded box 721 always indicates the probability (here 9%) that the portfolio will result in actual reduction of investor's current investment funds."

This portion of Rebane speaks of investment funds as dollar amounts invested in a portfolio of assets, not investment funds such as Fidelity and Magellan investment funds.

Then continuing his erroneous assertion that Rebane teaches the management of an investment fund, the Examiner asserts that Rebane teaches: "Receiving at a central computer,

first digital signals from a first computer specifying a custom set of investments for a fund (see column 13, lines 29-45 and column 14, lines 41-55)."

In column 13, lines 29-45, Rebane has the investor generating an optimized allocation of investment assets for the current short list using the RDAA module 301 and for the RR/CAPM module 303. The title of this section of the disclosure is "5.3.4 Generate Optimized Portfolio" thus making it clear that the subject matter is not the management of an investment fund. In column 14, lines 41-45, Rebane has the computer interface of his (one) computer displaying the output of the asset allocation program 201. There is not a central computer and a first computer because there is only one computer.

There is no receiving of first digital signals from a first computer specifying a custom set of investments for a fund because there is no investment fund – the subject matter of Rebane is the management of an investment portfolio, not the management of an investment fund.

The Examiner then goes on to assert that Rebane further teaches "receiving at the central computer, second digital signals specifying a custom set of investments for the fund (column 13, line 46 to column 14, line 8). However, the section of the disclosure of Rebane cited by the Examiner is entitled "5.3.5 Edit and Review Computer Portfolio" thus again making it clear that the subject matter of Rebane is the management of an investment portfolio, not the management of an investment fund. Nowhere in the cited reference is there any mention of a central computer nor of second digital signals specifying investments for a fund.

The Examiner continues, asserting that Rebane also teaches "outputting a separate accounting for each set of investments within the fund (column 14, lines 53-55)."

The subject matter of the section of the disclosure of Rebane cited by the Examiner is the portfolio design screen. There is no mention of outputting an accounting, not to mention outputting a separate accounting for each set of investments within the fund – that would not be possible because the subject matter of Rebane is the management of a portfolio, not the management of an investment fund.

The Examiner continues further, asserting that “the only difference between the teachings of Rebane and claim 1 is that Rebane does not explicitly state that the second digital signals are from a second computer.” This is not true because, as shown above, Rebane does not teach any of the elements of claim 1 because the subject matter of Rebane is the wrong financial product: management of a portfolio, not the management of an investment fund.

Finally, the Examiner advises the Board that the language in the claims is directed to the steps of receiving or generating signals for a “set of investment(s) for a fund,” not for “an investment fund” or “a customizable investment fund” as the appellant is arguing and thus the appellant’s submitted “Evidence” entitled “Fund Democracy,” by Jonathan G. Katz, March 28, 2001 “should not have any relevant to the instant claims since the instant claims and the contents of the article “Fund Democracy” are entirely different subject matter.

The Examiner’s advice to the Board is respectfully traversed because: 1) claim 1 begins with “A computer-aided method for operating a customizable investment fund, the method including the steps of”; and, 2) the steps set out in claim are, as one skilled in the art would know, the steps for operating a customizable investment fund, not investing an investor’s funds in a portfolio as per Rebane.

III. CONCLUSION

The subject matter of this appeal has already been decided in favor of the applicant in two prior cases, as previously filed with the Board. The "evidence" offered by the Examiner is the misquoted Abstract and a miscomprehension of the subject matter of the Rebane patent and the claimed invention. The instant invention is directed to a customizable investment fund, not how to invest the investor's "investment funds" (i.e., \$ in Fig 7 of Rebane).

The rejection is premised on a "double entendre" taken out of misquoted context rather than on a prior art teaching of the claim as a whole, and this rejection should therefore be reversed.

APPLICANT CLAIMS SMALL ENTITY STATUS. The Commissioner is hereby authorized to charge any fees associated with the above-identified patent application or credit any overcharges to Deposit Account No. 50-0235.

Respectfully submitted,



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